

HLABISA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR

ENDED 30 JUNE 2006

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr. B. Ntombela
 Cllr. M.L. Zulu
 Cllr. M.W. Khumalo
 Cllr. G.R. Mchunu
 Cllr. S.H. Mthethwa
 Cllr. V.M. Gumede
 Cllr. H.T. Nkosi

Mayor
 Deputy Mayor

SPEAKER OF COUNCIL
 Cllr. Z.E. Nyawo

Total number of councillors: 37

GRADING OF THE LOCAL MUNICIPALITY

Grade 1

(As per councillor remuneration grading)

AUDITORS

The Auditor-General

BANKERS

ABSA - Public Sector, Durban

REGISTERED OFFICE

Municipal Building
 4/62 Masson Street
 Hlabisa

P.O. Box 387
 Hlabisa
 3937

Telephone (035) 838 8500
 Fax (035) 838 1015

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 1 to 27 were approved by the Municipal Manager on the 30 of November 2006 and presented to and approved by Council on the 30th of November 2006 as per resolution number _____

.....
 ACTING MUNICIPAL MANAGER

TV Mkhize (effective 05 June 2006)

STD, B Paed., B. Ed., Municipal Manager's Certificate

.....
 CHIEF FINANCIAL OFFICER

SW Kunene (effective 02 December 2002)

N Dipl. CMA, LIMFO, IPFA.

FOREWORD

Herewith are the Annual Financial Statements for the year ended 30 June 2006.

Hlabisa Municipality has been in operation for the past five years. Each year it transforms its ways of doing business, especially just passed the elections. Transformation has become our Motto where we emphasize changing environment to be better for ourselves and community.

The municipality has indeed improve its operational performance and is more involved in service delivery of our communities' needs. The employees and councilors were trained in this financial period to be able to meet the increasing demands of our communities. It is unfortunate that the municipality has huge balances of unspent Grants. This is due to the transfer of these grants to the municipality by the government departments towards the end of their accounting year.

The municipality has ensured that there is investment attraction into the municipality. This is evident by the Shopping Complex that is currently being constructed and the signing of the second Shopping Complex. This will indeed assist our communities to travel less if they intend to buy from shops rather than shopping at Mtubatuba. Our communities will also have the opportunity to get employment opportunities and ensure that the employment rate is reduced.

May I place on record my thanks to my colleagues in the Executive Committee, all councilors, management and all staff members for their job well done. We must also hope to transform further to deliver improved services to our residents.

.....
Mr. B. Ntombela
Chairman of the Executive Committee

REPORT FROM THE AUDITOR-GENERAL

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The financial statements have not yet been audited.
Will be included once received after audit.

TREASURER'S REPORT

2005/2006 YEAR REVIEW

Background

Hlabisa Municipality is a grade one Local Municipality within the Umkhanyakude District Municipality. It covers four traditional authority areas namely Hlabisa, Mpebeni, Mdelesheni and Mpurunyoni. The Municipality has been in existence for four and the half years and has 19 wards with 37 councillors. It is worth mentioning that the municipal area is mainly rural with three authorities, Municipality, Traditional Authority and DMA.

The municipality is currently classified as low capacity municipality because of its reliance to the grant funding whilst it has large number of residents approximated at about 200 000. The unemployment rate is in excess of 70% with large number of child-headed families. This municipality is also facing the challenge of HIV/Aids pandemic. The municipality has been largely involved in the development of its communities through its interaction with all people and implementation of small-scale LED projects. The municipality is also facing the challenge of introducing new systems that will meet the existing and increasing demand for better accountability, reporting and good governance.

IDP and Budget Process Plans

IDP and Budget Process Plans were prepared and adopted by the council in a reasonable time. It is however acknowledged that the proper implementation of the IDP and Budget are still major challenges. Going forward it is anticipated that there will be an alignment of IDP and budget process plans within the municipality and the district at large but this demands collective efforts for all role-players.

Annual Financial Statements and Audit Reports

Annual Financial Statements (AFS) for year ending 30 June 2006 were prepared and submitted within the prescribed time frames and were also prepared internally and staff will be fully engaged in 2006/2007 monthly compilation of financial statements that will see Hlabisa Municipality complying with GAMAP/GRAP statements and timely submission of Annual financial Statements.

Summary Financial Review

Income received for this period amounted to R24,6 millions and expenditure was R27,1 millions. Some grants and operating income has not yet been received and will be received during the new financial year. Interest on investment for the period has been recognized. The balance sheet here-attached shows that the municipality is growing and its worth is increasing.

These financials represent the financial performance and operating results of the Hlabisa Municipality for the period ending 30 June 2006.

1. OPERATING RESULTS

Details of the operating results per department and classification of income and expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2006 are as follows:

INCOME	Actual 2006 R	Budget 2006 R	Variance Actual/ Budget %	Actual 2005 R	Variance Actual/ Budget %
Operating income for the period	24,697,664	40,881,552	-39.6%	25,461,522	-3.0%
Closing deficit	-	-	-	-	-
	24,697,664	40,881,552		25,461,522	
EXPENDITURE					
Expenditure for the period	27,138,963	40,881,552	-33.6%	24,242,108	11.9%
	27,138,963	40,881,552		24,242,108	

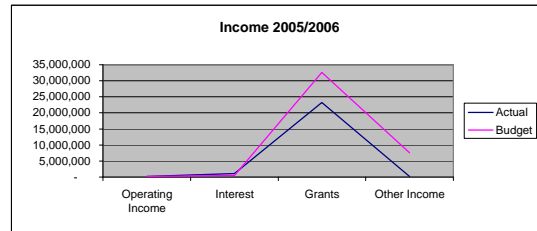
Operating expenditure is more than the income received. The municipality has received more grants in this financial period that was not utilized and the municipality transferred these grants to the trust funds and invested them.

[Refer to page 27 \(APPENDIX D\)](#)

2. INCOME

Details of income per department and classification are included in appendix D.

	Actual 2006	Budget 2006	2006 Variance Amount	2006 Variance %
Operating Income	190,702	174,660	16,041.73	8.4%
Interest	1,111,749	520,000	591,748.75	53.2%
Grants	23,202,240	32,636,991	-9,434,750.70	-40.7%
Other Income	192,973	7,549,901	-7,356,928.08	-3812.4%
	24,697,664	40,881,552	-16,183,888.30	-3791.4%



2.1 Grants and Subsidies

Equitable share is shown as operational grant and computer, Socio-economic survey grant and FMG Grant has been received and remaining funds will be transferred to funds.

[See Appendix A and D for more information.](#)

2.2 Operating Income

Actual 2006	Budget 2006
190,702	174,660

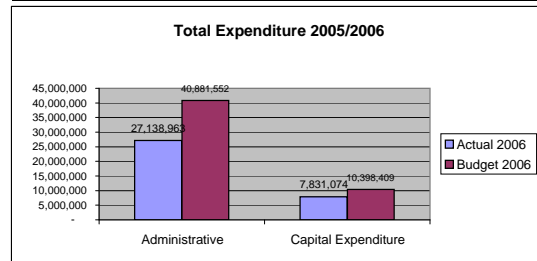
[\(Refer to Appendix D for more details\)](#)

3. EXPENDITURE

3.1 Total Expenditure

Details of income department and classification are included in appendix D.

	Actual 2006	Budget 2006	2006 Variance Amount	2006 Variance %
Administrative	27,138,963	40,881,552	(13,742,589)	-50.64%
Capital Expenditure	7,831,074	10,398,409	(2,567,335)	-24.69%
Total	34,970,037	51,279,961	(16,309,924)	(1)



The expenditure has been kept below the income received to date. There is a need to ensure that capital projects are implemented.

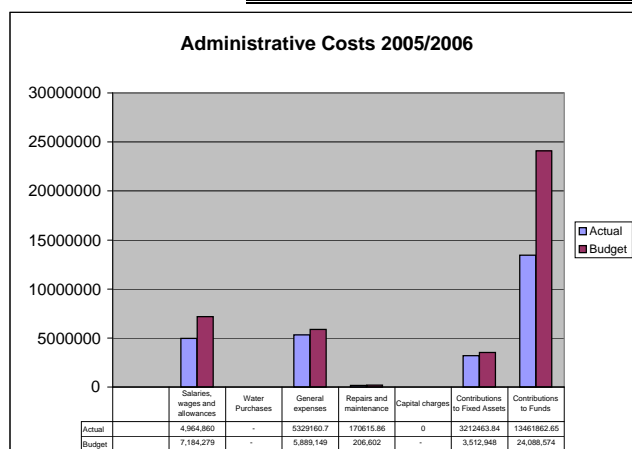
3.2 Administrative Expenditure

Administrative expenditure for the period are as follows:

	Actual 2006	Budget 2006	Variance 2006	Variance % 2006
Administrative	27,138,963	40,881,552	-13,742,589	-50.64%

Administrative expenditure as per classification are as follows:

	2006 Actual	2006 Budget	2006 Variance	2006 Variance %
Salaries, wages and allowances	4,964,860	7,184,279	(2,219,419)	-30.89%
Water Purchases	-	-	-	0.00%
General expenses	5329160.7	5,889,149	(559,988)	-9.51%
Repairs and maintenance	170615.86	206,602	(35,986)	-17.42%
Capital charges	0	-	-	0.00%
Contributions to Fixed Assets	3212463.84	3,512,948	(300,484)	0.00%
Contributions to Funds	13461862.65	24,088,574	(10,626,711)	-44.12%
	27,138,963	40,881,552	(13,742,589)	(1)



4. CAPITAL EXPENDITURE (FIXED ASSETS)

The expenditure on fixed assets incurred during the year amounted to R 3,134,777 which consisted mainly of Civic Buildings, Vehicles and Office Equipment.

Details are reflected in Appendix C

Resources used to finance the fixed assets were as follows:

Contributions from operating income	1,169,613
Grants & Subsidies	1,683,264
Donations - Dept of Housing	281,900
	<u>3,134,777</u>

Refer to 3.1 for comments on total expenditure.

5. EXTERNAL LOANS, INVESTMENTS AND CASH

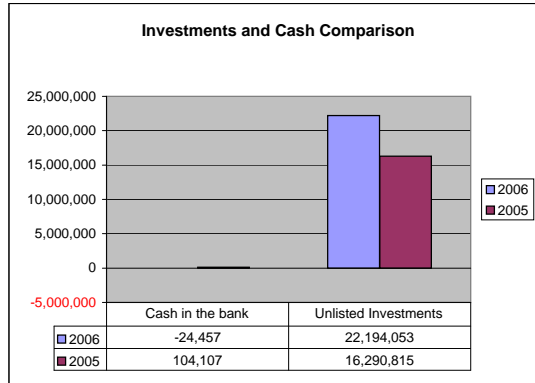
5.1 External loans

No external loans were taken up for the municipal functions during the period and none were transferred from Umkhanyakude District and Mtubatuba. Details of external loans are included in appendix A.

5.2 Investments and Cash

All available cash was held in Council's Bank account at 30 June 2006 amounting to (refer to notes 7 and 20 for more details):

	2006	2005	Change %
Cash in the bank	-24,457	104,107	-123%
Unlisted Investments	22,194,053	16,290,815	36%
	<u>22,169,596</u>	<u>16,394,922</u>	

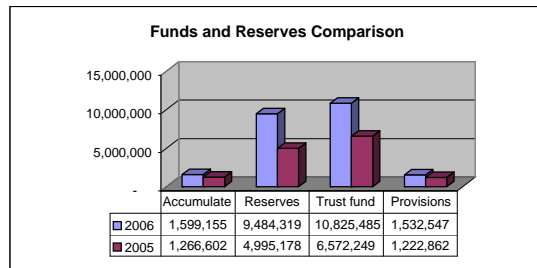


A million rand withdrawal from investments was made this current financial year. Interest received from current account and investment account amounted was over to R 1,0 million rands for the current financial year.

6. FUNDS AND RESERVES

Funds reserves and provisions may be summarized as follows:

	2006	2005	Change %
Accumulated funds	1,599,155	1,266,602	21%
Reserves	9,484,319	4,995,178	47%
Trust fund (Government Grants)	10,825,485	6,572,249	39%
Provisions	1,532,547	1,222,862	20%
	<u>23,441,505</u>	<u>14,056,890</u>	



Full details on funds and reserves are included in notes 1, 2 and 3 to the financial statements and appendix A. Provision for bad debts was adjusted to cater for debts over 90 days.

7. GOING CONCERN

In management's view the Hlabisa Local Council will be in continuous existence in the foreseeable future and expected to uplift standard of living within its' area of operation. But it should be noted that this Municipality is depending on grants from government at the moment.

8. POST BALANCE SHEET EVENTS

The municipality has employed a certain accounting firm that will be implementing the assets management systems that will ensure that the municipality fully implements the provisions of the Municipal Finance Management Act (MFMA).

EXPRESSION OF APPRECIATION

I wish to thank the Mayor, members of the Executive Committee, Councilors, the Municipal Manager, Heads of Departments and especially the staff in the financial department for the support they have given me.

SW/ Kunene

Chief Financial Officer

HLABISA LOCAL MUNICIPALITY

Date: 27/11/2006

HLABISA MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- (i) Income is accrued when available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.
 - (ii) Expenditure is accrued in the year it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

2 CONSOLIDATION

The financial statements include rates and general services, water, equitable share, trading services and the different funds and reserves. All inter departmental charges are set-off against each other. A contribution was not made from Rate and General Service, Revenue account to Water service, even though that was budgeted for, as the Water Service attained a Surplus for the year.

3 FIXED ASSETS

- 3.1 *Fixed assets are stated:*
- (i) at historical cost, or
 - (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.
- 3.2 *Depreciation*
- The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all assets are credited to a CDF.
- 3.4 Fixed assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 INVENTORY

Inventory is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

5 FUNDS AND RESERVES*5.1 Capital Development Fund*

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority for the immediately preceding financial year.

5.2 *Public Improvement Fund*

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

5.3 *Leave Provision*

A provision equal to the actual leave credit as at 30 June is maintained to provide for leave payments on request. Contributions are made from the operating account.

5.4 *Bad Debt Provision*

A provision equal to the anticipated risk as at 30 June is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than ninety days.

5.5 *Working Reserves*

Some funds are reserved for the unexpected variation of working capital.

6 **RETIREMENT BENEFITS**

Hlabisa Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 1999.

7 **LEASED ASSETS**

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

8 **INVESTMENTS**

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

9 **INCOME RECOGNITION**

9.1 *Assessment Rates*

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

9.2 *Water Billings.*

Meters are read and billed monthly. This is done on behalf of the Umkhanyakude district Municipality as per the latest powers and functions.

10 **SURPLUSES AND DEFICITS**

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilized to fund projects that the council may deem necessary to fund.

HLABISA MUNICIPALITY
BALANCE SHEET AS AT 30 JUNE 2006

	<u>Notes</u>	2006 R	2005 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		11,083,474	6,261,779
Accumulated Funds	<u>1</u>	1,599,155	1,266,602
Reserves	<u>2</u>	9,484,319	4,995,178
RETAINED SURPLUS/(DEFICIT)	<u>15</u>	1,991,699	4,013,214
		13,075,172	10,274,993
TRUST FUNDS	<u>3</u>	10,825,485	6,572,248
LONG-TERM LIABILITIES			
Deposits	<u>4</u>	-	-
		<u>23,900,657</u>	<u>16,847,242</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	<u>5</u>	-	-
LONG TERM DEBTORS	<u>6</u>	14,200	8,000
INVESTMENTS	<u>7</u>	22,194,053	16,290,815
		22,208,253	16,298,815
NET CURRENT ASSETS / (LIABILITIES)		1,692,404	548,427
CURRENT ASSETS		4,528,440	2,640,035
Inventory		-	-
Debtors	<u>8</u>	4,552,897	2,535,927
Cash resources	<u>20</u>	-24,457	104,107
Short-term portion of long term debtors	<u>8</u>	-	-
CURRENT LIABILITIES		2,836,036	2,091,608
Provisions	<u>9</u>	930,255	638,885
Trade Creditors	<u>10</u>	1,245,172	787,347
Other Creditors	<u>10</u>	660,609	665,377
Short-term portion of long term creditors	<u>3</u>	-	-
Bank Overdraft	<u>20</u>	-	-
		<u>23,900,657</u>	<u>16,847,242</u>

HLABISA MUNICIPALITY
INCOME STATEMENT FOR THE YEAR
ENDED 30 JUNE 2006

2005 Actual income R	2005 Actual expenditure R	2005 Surplus / (Deficit) R	2005 Budget Surplus / (Deficit) R		2006 Actual income R	2006 Actual expenditure R	2006 Surplus / (Deficit) R	2006 Budget Surplus / (Deficit) R
25,461,522	24,242,110	1,219,412	(1,219,412)	Functions	24,697,663	27,138,963	(2,441,300)	2,149,300
23,181,825	18,347,624	4,834,201	(4,834,201)	- Executive & Council	19,130,623	16,673,475	2,457,148	(11,483,791)
1,283,532	2,051,568	(768,036)	768,036	- Finance & Administration	1,941,581	3,601,611	(1,660,030)	5,732,506
-	-	-	-	- Planning & Development	365,000	472,038	(107,038)	449,990
21,942	95,727	(73,785)	73,785	- Health	-	-	-	-
969,371	3,710,496	(2,741,125)	2,741,125	- Community & Social Services	2,042,851	3,852,790	(1,809,939)	3,683,214
-	-	-	-	- Housing	1,187,120	1,219,101	(31,981)	81,981
-	-	-	-	- Public Safety	-	538,688	(538,688)	1,709,088
-	-	-	-	- Sports & Recreation	3,043	261,433	(258,390)	622,258
-	-	-	-	- Environmental Protection	-	-	-	-
-	-	-	-	- Waste Management	27,446	519,827	(492,381)	1,354,053
-	-	-	-	- Waste Water Management	-	-	-	-
4,852	36,695	(31,843)	31,843	- Road Transport	-	-	-	-
-	-	-	-	- Other	-	-	-	-
<u>25,461,522</u>	<u>24,242,110</u>	<u>1,219,414</u>	<u>(1,219,412)</u>	TOTAL	<u>24,697,663</u>	<u>27,138,963</u>	<u>(2,441,300)</u>	<u>2,149,300</u>
		(5,078,311)		Appropriations for this period			419,784	
		(3,858,897)		(refer to note 15)				
		7,872,111		Net surplus for the period			(2,021,515)	
		<u>4,013,214</u>		Accumulated surplus beginning of the period			4,013,214	
				ACCUMULATED SURPLUS AT THE END OF THE PERIOD			<u>1,991,699</u>	

[\(Refer to appendix D and E for more detail\)](#)

[\(Refer to appendix D and E for more detail\)](#)

HLABISA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR

ENDED 30 JUNE 2006

	Note	2006 R	2005
CASH RETAINED FROM OPERATING ACTIVITIES		8,909,451	6,084,472
Cash generated by operations	16	9,070,244	6,319,015
Finance Transactions	14	1,111,749	751,864
Increase in working capital	17	(1,272,542)	(986,407)
		8,909,451	6,084,472
Less: External interest paid	10	-	-
Cash utilized by operations		8,909,451	6,084,472
Contributions from Public or Government		-	-
CASH UTILIZED IN INVESTING ACTIVITIES		(3,134,777)	(1,405,562)
Investment in Fixed Assets	5	(3,134,777)	(1,405,562)
NET CASH FLOW		5,774,674	4,678,910
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/ (Decrease) in long-term Loans External	18	-	-
(Increase)/ Decrease in Investments	19	(5,903,238)	(7,229,221)
Increase/ (Decrease) in Long Term Debtors	6	-	-
(Increase)/ Decrease in Cash On Hand	20	128,564	2,550,311
NET CASH GENERATED		(5,774,674)	(4,678,910)

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
1. ACCUMULATED FUNDS		
Capital Development Fund	1,599,155	1,266,602
Public Improvement Fund	0	0
(Refer to appendix A for more detail)	<u>1,599,155</u>	<u>1,266,602</u>
2. RESERVES		
Working Capital Reserves	300,000	300,000
Mpembeni Health Centre	4,172	4,172
Shikishela Creche	8,346	8,346
LED Projects - Internal	84,506	84,506
Equitable Share - Free Basic Services	3,413,577	1,766,131
Equitable Share - Free Basic Electricity	2,641,117	1,430,924
Project Development Fund-Internal	995,466	1,401,099
Project Development Fund- Internal 2005/2006	2,037,136	0
Planning	0	0
(Refer to appendix A for more detail)	<u>9,484,319</u>	<u>4,995,178</u>
3. TRUST FUNDS		
Establishment Grant	0	0
Transitional Grant	0	0
Management Support Grant	1,021	140,482
Intergrated Development Grant	56,798	165,576
Community Initiative Grant	50,000	50,000
Computer Grant	54	54
LED Grant	0	0
PMS Grant - DC27	90,000	90,000
Intergrated Development Grant - DC27	59,789	62,490
GIS Grant	8,619	8,619
Lums Grant	214,688	378,133
Disaster Management Grant - DOH	3,857,000	3,857,000
Community Gardens	202,298	202,298
Socio-Economic Survey	4,676	4,676
Housing Provision Grant	82,948	0
LIBRARY GRANT	844,882	335,295
MUNICIPAL DEVELOPMENT PLANNING GRANT	220,000	120,000
INTER-DEPARTMENTAL MONITORING	42,877	60,000
PROPERTY RATES GRANT	33,125	63,125
PROJECT CONSOLIDATE	312,196	500,000
ANTI-CORRUPTION STRATEGY	134,500	134,500
FMG GRANT	250,000	250,000
E-LEARNING GRANT	0	150,000
DTLGA - MFMA GRANT	145,000	0
VALUATION ROLL	170,000	0
PMS GRANT	125,000	0
SPATIAL PLANNING	50,000	0
MUNICIPAL DEVELOPMENT INFR. GRANT	40,000	0
DC27-VOTER REGISTRATION CAMPAIGN GRANT	0	0
PROJECT CONS - WATER RETICULATION	2,400,000	0
PROJECT CONS - MANDOZI ALTERNATIVE ENERGY	500,000	0
PROJECT CONS - WASTE DUMP SITE	400,000	0
DTLGA - COMMUNITY DEVELOPMENT WORKERS	81,331	0
DPLG - MSIG	448,682	0
(Refer to appendix A for more detail)	<u>10,825,485</u>	<u>6,572,248</u>

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
4. LONG TERM LIABILITIES		
External loans	0	0
Less: Short term portion	0	0
(Refer to appendix "B" for more details)	<u>0</u>	<u>0</u>
5. INVESTMENT IN FIXED ASSETS		
Fixed assets at the beginning of the year	12,772,286	11,389,460
Capital expenditure during the year	3,134,777	1,405,562
Less :Assets written off, transferred or disposed of during	0	22,736
Total fixed assets	15,907,062	12,772,286
Less : Loans redeemed and other capital receipts	15,907,062	12,772,286
Net fixed assets	<u>0</u>	<u>0</u>
(Refer to appendix "C")		
(Refer to section 2 of the Treasurers Report fo more)		
Fixed assets are resources owned by the Council from which future economic benefits are expected to flow. All assets are capitalized. Fixed assets are financed by grants, subsidies and revenue.		
Land & Buildings were taken over as a result of obtaining the Title Deed for proclaimed town Erf 79. The land was not revaluated, last valuation being the 01 July 2001.		
6. LONG TERM DEBTORS		
Deposits	14,200	8,000
	<u>14,200</u>	<u>8,000</u>
7. INVESTMENTS		
Unlisted:	0	0
Short term deposits	22,194,053	16,290,815
Call deposits	0	0
Total Investments	<u>22,194,053</u>	<u>16,290,815</u>
Managements' valuation of unlisted investments.	<u>22,194,053</u>	<u>16,290,815</u>
Section 125 of the Local Authorities Ordinance, No.25 of 1974, requires local authorities to invest funds, which are not immediately required, with prescribed institutions.		
8. DEBTORS		
Current debtors(Consumers and other)	889,580	704,572
Staff Account	311,563	210,911
Mr Ntsele	33,614	33,614
N Moran	73,500	73,500
DTLGA - Project Consolidate	71,750	0
Hayman & Van Rensburg	200	0
NZ Mahaye	941	0
H Mayisa	658	0
Inkatha Freedom Party	131	0
Interest Accrued-investments	88,017	13,858
Over/Under Petty cash Claims	498	498
Receiver of Revenue (Value Added Tax)	3,684,737	2,082,951
	<u>5,155,189</u>	<u>3,119,904</u>
Less: Provisions for bad Debts	<u>602,292</u>	<u>583,977</u>
	<u>4,552,897</u>	<u>2,535,928</u>
Consumer Debtors Age Analysis		
Current	-1,344	-926
0 -30 days	0	199,594
30 - 60 days	288,632	29,342
60 - 90 days	602,292	476,563
90 days +	0	0

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
9. PROVISIONS		
Accounting and Audit Fees	283,918	283,918
Leave	646,337	354,967
	<u>930,255</u>	<u>638,885</u>
10. CREDITORS		
Trade Creditors	1,245,172	787,347
Value Added Tax	0	0
Interest Accrued	0	0
Umkhanyakude District Municipality	3,800	8,567
Mtubatuba Municipality	656,791	656,791
Other Creditors	19	19
	<u>1,905,781</u>	<u>1,452,724</u>
<u>Refer to Working papers for more details</u>		
11. ASSESSMENT RATES		
Rateable Land	<u>73,337</u>	<u>73,337</u>
Valuations on land are performed every five years. The basic rate was 0.0645 cents on land only.		
12. COUNCILLORS' & SENIOR MANAGEMENT'S REMUNERATION		
Mayor's allowance	67,107	68,329
Executive Committee Allowance	295,232	409,534
Councillors' allowance	1,084,518	773,154
Total Councillors' Remuneration	<u>1,446,857</u>	<u>1,251,017</u>
<u>Senior Management Salaries</u>		
Municipal Manager	411,942	394,731
Chief Financial Officer	376,116	354,827
Director - Corporate Services	376,116	354,827
Director - Community Services	376,116	354,827
Total Senior Management Salaries	<u>1,540,290</u>	<u>1,459,212</u>
13. AUDITORS' REMUNERATION		
Paid during the year	58,376	345,839
Total Auditors' remuneration	<u>58,376</u>	<u>345,839</u>
14. FINANCE TRANSACTIONS		
Total external interest earned/(paid):		
Interest earned	1,111,749	751,864
Interest paid	0	0
	<u>1,111,749</u>	<u>751,864</u>
Capital Charges debited to operating account:		
Interest: External	0	0
Internal	0	0
Redemption: External	0	0
Internal	0	0
	<u>0</u>	<u>0</u>

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
15. APPROPRIATIONS		
Net Appropriation account		
Accumulated surplus/(deficit) at the beginning of the period	4,013,214	7,872,111
Operating surplus for the period	-2,021,515	-3,858,897
Appropriations for the year	-2,441,300	1,219,414
Prior Year adjustments	419,784	-5,078,311
Accumulated surplus/(deficit) at the end of the period	<u>1,991,699</u>	<u>4,013,214</u>
 Operating account		
Capital expenditure	10,375,201	1,472,136
Contributions to:	15,193,117	13,633,032
- Provisions	18,316	268,090
- Reserves	10,384,408	5,930,807
- Trust Funds	4,166,470	7,052,807
- Capital Development Fund	332,553	381,328
- Leave	291,370	0
	<u>25,568,318</u>	<u>15,105,168</u>
 16. CASH GENERATED BY OPERATIONS		
Net surplus (deficit) for the year	-2,441,300	1,219,414
Adjustment for:		
Appropriations for previous year	419,784	-5,078,311
Appropriations charged against income	18,327,894	7,148,012
Capital Development fund	332,553	381,328
Provisions	309,686	147,563
Trust Funds	4,166,470	
Reserves	10,384,408	5,930,807
Fixed Assets	3,134,777	688,314
Investment Income	-1,111,749	-751,864
Non operating income		
Provisions	0	0
Trust funds	4,250,815	7,052,802
Non operating expenditure		
Trust Funds	-4,479,934	-1,185,965
Reserves	-5,895,267	-2,071,910
Provisions	0	-13,162
Operating surplus before working capital changes	<u>9,070,244</u>	<u>6,319,015</u>

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

	2006 R	2005 R
17. (INCREASE) / DECREASE IN WORKING CAPITAL		
(Increase)/decrease in stock	0	0
(Increase) in debtors	-2,016,970	-662,235
(Increase)/decrease in deposits	0	0
(Increase) in creditors	744,428	-324,172
	<u>-1,272,542</u>	<u>-986,407</u>
18. INCREASE / (DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	0	0
Loans Repaid	0	0
	<u>0</u>	<u>0</u>
19. (INCREASE)/DECREASE IN INVESTMENTS		
Investment beginning of the year	16,290,815	9,061,594
Investment end of the year	22,194,053	16,290,815
Net increases in cash equivalents	<u>5,903,238</u>	<u>7,229,221</u>
20. (INCREASE)/ DECREASE IN CASH ON HAND		
Cash balance beginning of the year	104,107	2,654,418
-Cash on hand	1,005	1,005
-Cash in bank	103,102	2,653,413
Less: Cash balance at the end of the period	-24,457	104,107
-Cash on hand	1,005	1,005
-Cash at Bank	-25,462	103,102
	<u>-128,564</u>	<u>-2,550,311</u>
21. CAPITAL DEVELOPMENT FUND		
Accumulated Funds (Appendix A)	1,599,155	1,266,602
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Balance available for External Investment	<u>1,599,155</u>	<u>1,266,602</u>
22. PUBLIC IMPROVEMENT FUND		
Accumulated Funds (Appendix A)	0	0
Less: Internal Investment to Borrowing Services (Appendix B)	0	0
Less: Funds Invested in fixed assets (Appendix C)	0	0
Balance available for External Investment	<u>0</u>	<u>0</u>

HLABISA MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS AT 30 JUNE 2006

2006
R2005
R**23. RETIREMENT BENEFITS**

Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.

- (i) Natal Joint Municipal Pension Fund (retirement)
- (ii) Natal Joint Municipal Pension Fund (superannuation)
- (iii) Natal Joint Municipal Pension Fund (provident)
- (iv) Municipal Councillors Pension Fund

The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2005.

24. BANKING DETAILS

The primary bank account referred to in Section 8 of the Municipal Finance Management Act is as follows:

Bank: ABSA
Branch: Newcastle
Branch Code: 630 324
Account No.: 405 370 9558

25. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for	6,327,800	3,200,000
Approved but not yet contracted for		0
	<u>6,327,800</u>	<u>3,200,000</u>

This experience will be financed from:

Internal sources	6,327,800	3,200,000
External sources	0	0
Provincial sources	0	0
	<u>6,327,800</u>	<u>3,200,000</u>

HLABISA MUNICIPALITY

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APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS

	Balance at 01/7/2005 R	Contributions during the period R	Interest on investment R	Other income R	Operational expenditure during the period R	Capital expenditure during the year R	Balance at 30/06/2006 R
STATUTORY FUNDS							
Accumulated Funds	1,266,602	332,553	-	-	-	-	1,599,155
- Rates & General Services	1,266,602	332,553	-	-	-	-	1,599,155
- Water	-	-	-	-	-	-	-
Public Improvement Funds	-	-	-	-	-	-	-
	1,266,602	332,553	-	-	-	-	1,599,155
TRUST FUNDS							
Establishment Grant	-	-	-	-	-	-	-
Transitional Grant	-	-	-	-	-	-	-
Management Support Grant	140,482	176,849	-	-	316,310	-	1,021
Integrated Development Grant	165,576	50,000	-	-	158,778	-	56,798
Community Initiative Grant	50,000	-	-	-	-	-	50,000
Computer Grant	54	-	-	-	-	-	54
LED Grant	-	-	-	-	-	-	-
PMS Grant - DC27	90,000	-	-	-	-	-	90,000
Integrated Development Grant - DC27	62,490	-	-	-	2,701	-	59,789
GIS Grant	8,619	-	-	-	-	-	8,619
Lums Grant	378,133	-	-	-	152,045	11,400	214,688
Disaster Management Grant - DOH	3,857,000	-	-	-	-	-	3,857,000
Community Gardens	202,298	-	-	-	-	-	202,298
Socio-Economic Survey	4,676	-	-	-	-	-	4,676
Housing Provision Grant	-	1,187,120	-	-	-	1,104,172	82,948
LIBRARY GRANT	335,295	2,042,851	-	-	-	1,533,264	844,882
MUNICIPAL DEVELOPMENT PLANNING GRANT	120,000	100,000	-	-	-	-	220,000
INTER-DEPARTMENTAL MONITORING	60,000	40,000	-	-	57,123	-	42,877
PROPERTY RATES GRANT	63,125	-	-	-	30,000	-	33,125
PROJECT CONSOLIDATE	500,000	-	-	-	187,804	-	312,196
ANTI-CORRUPTION STRATEGY	134,500	-	-	-	-	-	134,500
FMG GRANT	250,000	-	-	-	-	-	250,000
E-LEARNING GRANT	150,000	39,650	-	-	-	189,650	-
DTLGA - MFMA GRANT	-	145,000	-	-	-	-	145,000
VALUATION ROLL	-	170,000	-	-	-	-	170,000
PMS GRANT	-	125,000	-	-	-	-	125,000
SPATIAL PLANNING	-	50,000	-	-	-	-	50,000
MUNICIPAL DEVELOPMENT INFR. GRANT	-	40,000	-	-	-	-	40,000
DC27-VOTER REGISTRATION CAMPAIGN GRANT	-	-	-	7,700	7,700	-	-
PROJECT CONS - WATER RETICULATION	-	-	-	2,400,000	-	-	2,400,000
PROJECT CONS - MANDOZI ALTERNATIVE ENERGY	-	-	-	500,000	-	-	500,000
PROJECT CONS - WASTE DUMP SITE	-	-	-	400,000	-	-	400,000
DTLGA - COMMUNITY DEVELOPMENT WORKERS	-	-	-	535,000	453,669	-	81,331
DPLG - MSIG	-	-	-	724,000	275,318	-	448,682
	6,572,248	4,166,470	-	4,566,700	1,641,448	2,838,486	10,825,485
PROVISIONS							
Accounting & Audit Fees	283,918	-	-	-	-	-	283,918
Leave	354,967	291,370	-	-	-	-	646,337
Bad Debts	583,977	18,316	-	-	-	-	602,292
	1,222,862	309,686	-	-	-	-	1,532,547
RESERVES							
Working Capital Reserves	300,000	300,314	-	-	300,314	-	300,000
Mpembeni Health Centre	4,172	-	-	-	-	-	4,172
Shikishela Creche	8,346	-	-	-	-	-	8,346
LED Projects - Internal	84,506	-	-	-	-	-	84,506
Equitable Share - Free Basic Services	1,766,131	2,283,409	-	-	635,963	-	3,413,577
Equitable Share - Free Basic Electricity	1,430,924	1,472,885	-	-	262,692	-	2,641,117
Project Development Fund-Internal	1,401,099	-	-	-	-	405,633	995,466
Project Development Fund- Internal 2005/2006	-	6,327,800	-	-	-	4,290,664	2,037,136
Planning	-	-	-	-	-	-	-
	4,995,178	10,384,408	-	-	1,198,969	4,696,298	9,484,319
TOTAL	14,056,890	15,193,117	-	4,566,700	2,840,417	7,534,783	23,441,505
	0						

HLABISA MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS	Balance at 01 July 2005	Received during the period	Redeemed or written off during the period	Balance at 30 June 2006
	R	R	R	R
Annuity Loans	-	-	-	-
Fixed Loans	-	-	-	-
	-	-	-	-

INTERNAL ADVANCES BORROWING SERVICES	Balance at 01 July 2005	Received during the period	Redeemed or written off during the period	Balance at 30 June 2006
	R	R	R	R
Public Improvement Fund	-	-	-	-
Capital Development Fund	-	-	-	-
	-	-	-	-

HLABISA MUNICIPALITY

APPENDIX C : ANALYSIS OF FIXED ASSETS

Expenditure 2005 R	Service R	Budget 2006 R	Balance at 01.07.2005 R	Expenditure 2006 R	Written off transferred R	Balance at 30.06.2006 R
1,405,562	Rates & General Services	-	12,772,286	3,134,777	0	15,907,063
1,405,562	Community Services	0	12,772,286	3,134,777	0	15,907,063
0						
503,480	Executive & Council	0	8,061,816	3,134,777	0	11,196,593
61,934	Finance & Admin	0	321,919	0	0	321,919
0	Planning & Development	0	0	0	0	0
717,248	Health	0	730,016	0	0	730,016
115,588	Community & Social Services	0	3,324,987	0	0	3,324,987
0	Housing	0	0	0	0	0
0	Public safety	0	0	0	0	0
0	Sports & Recreation	0	0	0	0	0
0	Environmental Protection	0	0	0	0	0
0	Waste Management	0	0	0	0	0
0	Waste Water Management	0	0	0	0	0
7,312	Road Transport	0	333,548	0	0	333,548
0	Other	0	0	0	0	0
0		0				
0		0				
1,405,562	TOTAL FIXED ASSETS	0	12,772,286	3,134,777	0	15,907,063
LOANS REDEEMED AND OTHER						
1,405,562	CAPITAL RECEIPTS		12,772,286	3,134,777	0	15,907,063
0	Loans redeemed		0	0	0	0
688,314	Contributions from ex operating income		2,915,365	1,169,613	0	4,084,978
717,248	Grants & Subsidies		9,856,922	1,683,264	0	11,540,186
0	Donations- Dept of Housing		0	281,900	0	281,900
0	Contribution from Ndt/pimms		0	0	0	0
0	Contribution from Equit. Reserve		0	0	0	0
0	Contributions for CBPW - PIA		0	0	0	0
0	Public Contributions		0	0	0	0
0	Miscellaneous		0	0	0	0
0	NET FIXED ASSETS		0	0	0	0

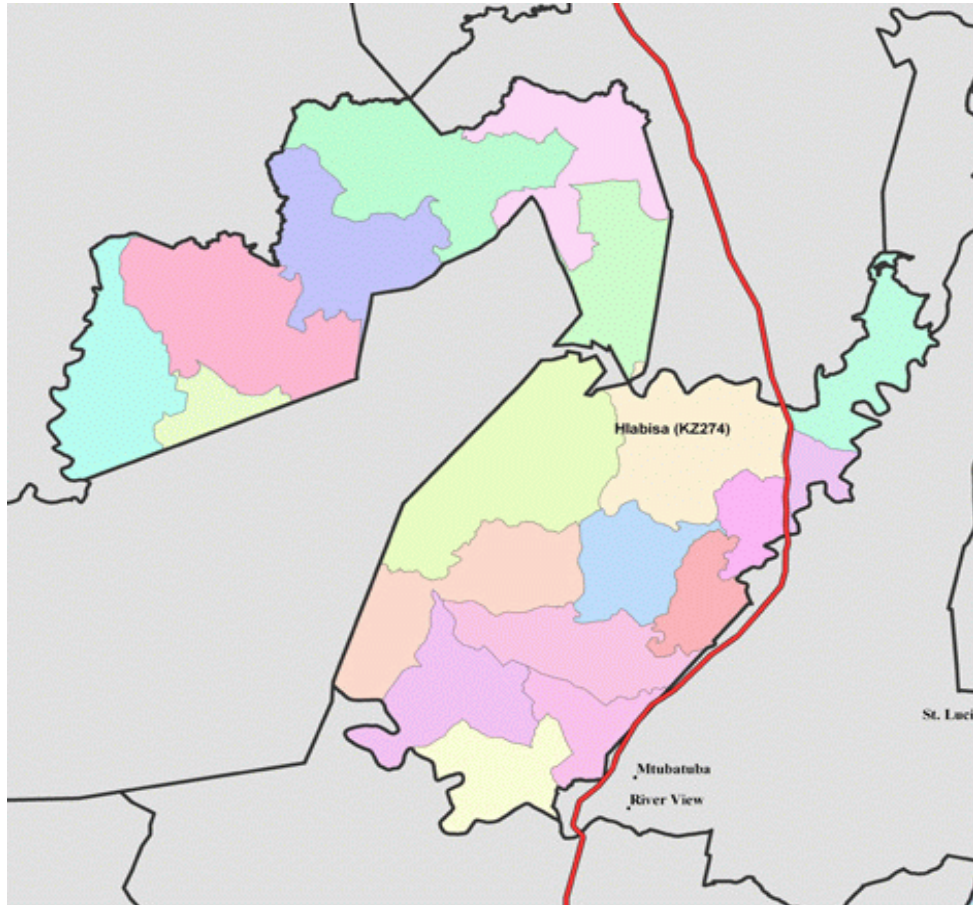
APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDING 30 JUNE 2006

Actual 2005 R		Actual 2006 R	Budget 2006 R
	INCOME		
	Government and Provincial grants and subsidies		
19,568,391		23,202,240	32,636,991
12,500,459	- Equitable share	18,306,531	18,307,000
5,725,177	- National / Provincial Government	4,435,709	13,654,991
1,342,755	- Public / Local Government	460,000	675,000
176,576	Operating Income	190,702	174,660
87,486	- General Rates	87,486	107,486
67,149	- Rates Penalties	75,770	50,000
-	- Collection Charges	-	-
-	- Water services	-	-
12,173	- Refuse Removal	13,877	17,174
9,769	- Refuse Penalties	13,568	-
-	- Sewerage Conservancy	-	-
4,964,691	Other income	192,973	7,549,901
4,702	- Plot Clearing	2,993	2,500
200	- Hiring of Sportsfield	50	2,500
12,301	- Market Rental	11,747	6,000
18,408	- Office Rentals	35,032	60,000
-	- Donation Received	35,500	1,000
2,114	- Photocopies	1,076	5,000
-	- Discount Received	1,590	1,500
-	- Commission Received	-	3,600
-	- Telephone(Private Calls)	-	15,000
1,002	- Billboards Income	-	1,300
4,922,055	- Transfer from accumulated funds	-	7,445,501
-	- Water Connection Fess	-	-
3,909	- Sundry income	104,986	6,000
751,864	Interest earned	1,111,749	520,000
25,461,522	TOTAL INCOME	24,697,664	40,881,552
	EXPENDITURE		
	OPERATING EXPENDITURE		
5,054,038	Salaries, wages and allowances	4,964,860	7,184,279
-	Water Purchases	-	-
4,653,637	General expenses	5,329,161	5,889,149
230,204	Repairs and maintenance	170,616	206,602
-	Capital charges	-	-
1,741,457	Contributions to fixed assets	3,212,464	3,512,948
12,562,771	Contributions to funds	13,461,863	24,088,574
24,242,108	Gross operating expenditure	27,138,963	40,881,552
-	Less : Amounts recharged	-	-
24,242,108	Net operating expenditure	27,138,963	40,881,552
1,219,414	SURPLUS	(2,441,299)	-

HLABISA MUNICIPALITY

STATISTICAL INFORMATION



Total Number of Wards	19
Total Number of Councilors	37
Total population	176890
Total number of registered voters	68532
Total number of voting district	72
Number of employees	33
Number of police stations	2
Number of Medical Facilities	6
Number of Schools	100
Number of square meters	1,417